

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Franklin Township	County Clare
Fiscal Year End March 31, 2006	Opinion Date May 10, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

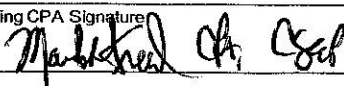
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> 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number 9989) 835-7721	
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI
		Zip 48640	
Authorizing CPA Signature 		Printed Name Mark R. Freed	License Number 1101012221

FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
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FINANCIAL STATEMENTS
For The Year Ended March 31, 2006

FRANKLIN TOWNSHIP

BOARD OF TRUSTEES

Richard Ecklin

Supervisor

Jenette Hopkins

Clerk

Lois Matthews

Treasurer

Elaine Ecklin

Trustee

Beverly Johnson

Trustee

TOWNSHIP POPULATION–2000

809

STATE EQUALIZED VALUE–2005

\$40,754,407

STATE TAXABLE VALUE–2005

\$24,856,430

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Franklin Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin Township, Clare County, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Midland, Michigan
May 10, 2006

Exhibit 1

**FRANKLIN TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006**

ASSETS

Cash and cash equivalents	\$ 279,171
Investments	62,200
Taxes receivable - current	11,085
Other receivables	62,259
Capital assets:	
Land	8,775
Township equipment, net	1,898
Total capital assets	10,673
Total assets	425,388

NET ASSETS

Invested in capital assets	10,673
Restricted for:	
Road repair and maintenance	253,397
Unrestricted	161,318
Total net assets	\$ 425,388

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Program Revenues Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 18,954	\$ -	\$ -	\$ -	(18,954)
Supervisor	10,952	-	-	-	(10,952)
Treasurer	16,959	-	-	-	(16,959)
Assessing	20,332	-	-	-	(20,332)
Clerk	12,170	-	-	-	(12,170)
Elections	824	-	-	-	(824)
Board of review	1,412	-	-	-	(1,412)
Buildings and grounds	3,083	-	-	-	(3,083)
All other general government	632	-	-	-	(632)
Fire protection	18,555	-	-	-	(18,555)
Road repair and maintenance	3,259	-	-	-	(3,259)
Library	3,641	-	-	-	(3,641)
Total governmental activities	\$ 110,773	\$ -	\$ -	\$ -	(110,773)
General revenues:					
Property taxes, levied for general purposes					34,632
Property taxes, levied for road maintenance					45,174
State revenue sharing					55,073
Interest earnings					12,735
Miscellaneous					15,625
Total general revenues					163,239
Change in net assets					52,466
Net assets-beginning					372,922
Net assets-ending					\$ 425,388

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 101,240	\$ 177,931	\$ 279,171
Investments	31,908	30,292	62,200
Taxes receivable, net	4,146	6,939	11,085
Due from other township funds	24,024	38,235	62,259
Total assets	<u>\$ 161,318</u>	<u>\$ 253,397</u>	<u>\$ 414,715</u>
FUND BALANCES			
Unreserved and undesignated	\$ 161,318	\$ 253,397	\$ 414,715
Total fund balances	<u>161,318</u>	<u>253,397</u>	<u>414,715</u>
Total fund balances	<u>\$ 161,318</u>	<u>\$ 253,397</u>	<u>\$ 414,715</u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total fund balances for governmental funds (Exhibit 3)		\$ 414,715
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 8,775	
Township equipment, net of \$12,625 accumulated depreciation	<u>1,898</u>	
Total capital assets		<u>10,673</u>
Total net assets of governmental activities (Exhibit 1)		<u><u>\$ 425,388</u></u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended March 31, 2006

	General Fund	Road Fund	Total
REVENUES			
Property taxes	\$ 34,632	\$ 45,174	\$ 79,806
State aid	55,073	-	55,073
Interest and dividends	3,715	9,020	12,735
Rents and royalties	103	-	103
Miscellaneous	15,522	-	15,522
Total revenues	109,045	54,194	163,239
EXPENDITURES			
General government	83,750	-	83,750
Public safety	18,555	-	18,555
Public works	3,259	-	3,259
Total expenditures	109,205	-	109,205
Net change in fund balances	(160)	54,194	54,034
Fund balances-beginning	161,478	199,203	360,681
Fund balances-ending	\$ 161,318	\$ 253,397	\$ 414,715

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
March 31, 2006**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	54,034
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$1,568) in the current period.

(1,568)

Change in net assets of governmental activities (Exhibit 2)	\$	<u>52,466</u>
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The accompanying notes are an integral part of these financial statements.

FRANKLIN TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
March 31, 2006

ASSETS

Cash and cash equivalents	\$ 62,260
Total assets	<u>62,260</u>

LIABILITIES

Due to other funds	<u>62,260</u>
Total liabilities	<u>62,260</u>

NET ASSETS

<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Clare County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$24,856,430 on which ad valorem taxes levied consisted of .8432 mills for Township operating purposes, and 1.8941 mills for road repair and maintenance. These amounts are recognized in the General Fund and Road Fund as current tax revenue.

The Township reports the following major funds:

The General Fund is the governments primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

In addition, the Township reports additional funds as follows:

The Road Fund accounts for the repair and maintenance of roads within the Township.

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other fund.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building and improvements	25 to 40 years
Furniture and equipment	5 to 20 years

Long-Term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund—Township Board	\$ 10,995	\$ 18,954
General Fund—Supervisor	9,777	10,484
General Fund-Elections	11,950	12,170
General Fund-Fire Protection	16,304	18,555

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 279,170	\$ 62,260	\$ 341,430
Investments	62,200	-	62,200
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 341,370</u>	<u>\$ 62,260</u>	<u>\$ 403,630</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificates of deposit)	\$ 341,430
Investments in Securities, Mutual Funds and Similar Vehicles	62,200
	<hr/>
Total	<u>\$ 403,630</u>

The Township's investments are categorized as risk category 1, which gives an indication of the level of risk assumed by the entity. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$97,107 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investment and Deposit Risk (continued)

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Franklin Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 8,775	\$ -	\$ -	\$ 8,775
Capital Assets Being Depreciated				
Buildings and improvements	25,636	-	-	25,636
Furniture and equipment	29,479	-	-	29,479
Subtotal	55,115	-	-	55,115
Less Accumulated Depreciation for				
Buildings and improvements	25,636	-	-	25,636
Furniture and equipment	26,012	1,569	-	27,581
Subtotal	51,648	1,569	-	53,217
Net Capital Assets Being Depreciated	3,467	(1,569)	-	1,898
Governmental Activities Capital Assets–Net of Depreciation	\$ 12,242	\$ (1,569)	\$ -	\$ 10,673

**FRANKLIN TOWNSHIP
CLARE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 4. CAPITAL ASSETS (continued)

Depreciation expense was charged to programs of the Township as follows:

Furniture and equipment - Supervisor's office	\$ 469
Furniture and equipment - Clerks's office	320
Furniture and equipment - Treasurer's office	340
Furniture and equipment - Fire Hall	110
Furniture and equipment - Town Hall	330
	<hr/>
Total depreciation expense	<u>\$ 1,569</u>

NOTE 5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 6. PENSION PLAN

The Township provides pension benefits to all its employees, who have attained 18 years of age, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 12% of each participant's compensation plus a past service credit calculated as 3% of current compensation for each year of past service to a maximum of ten years.

In accordance with these requirements, the Township contributed \$5,655 during the fiscal year ended March 31, 2006.

NOTE 7. LANDFILL

The Township owned and operated a landfill from the mid 1940's to the late 1980's. In 1992 the Township received a grant from the Michigan Department of Natural Resources to properly close the landfill. The grant agreement stipulates monitoring of the site and the submission of bi-annual "Postclosure Inspection Reports" for a 30 year period, which began July 1, 1993.

FRANKLIN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 20,733	\$ 20,733	\$ 34,632	\$ 13,899
State aid	52,000	52,000	55,073	3,073
Interest and dividends	4,500	4,500	3,715	(785)
Rents and royalties	90	90	103	13
Miscellaneous	12,851	12,851	15,522	2,671
Total revenues	90,174	90,174	109,045	18,871
EXPENDITURES				
General Government:				
Township board	10,995	10,995	18,954	(7,959)
Supervisor	9,777	9,777	10,484	(707)
Treasurer	17,510	17,510	16,619	891
Assessing	21,525	21,525	20,332	1,193
Clerk	11,950	11,950	12,170	(220)
Elections	1,900	1,900	824	1,076
Board of review	2,100	2,100	1,412	688
Buildings and grounds	6,800	6,800	2,323	4,477
All other general government	12,000	12,000	632	11,368
Public Safety:				
Fire protection contract	16,304	16,304	18,555	(2,251)
Regulation activities	-	-	-	-
Public Works:				
Roads and drains	12,800	12,800	3,259	9,541
Landfill	1,000	1,000	-	1,000
Library contract	3,640	3,640	3,641	(1)
Total expenditures	128,301	128,301	109,205	19,096
Net change in fund balances	(38,127)	(38,127)	(160)	37,967
Fund balances-beginning	161,478	161,478	161,478	-
Fund balances-ending	\$ 123,351	\$ 123,351	\$ 161,318	\$ 37,967

May 10, 2006

Members of the Township Board
Franklin Township
Clare County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Franklin Township, Clare County, for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

REPORTABLE CONDITION

Overspending of Budgeted Amounts

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of amounts appropriated in the General Fund. We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

Bank Reconciliations

Audit adjustments were required to reconcile cash balances to the general ledger. As stated in the Michigan Department of Treasury's *Uniform Accounting Procedures Manual*, "All bank accounts must be reconciled to the local unit accounting records monthly. The Clerk's records must agree with or reconcile to the Treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. Canceled checks are to be filed with the bank statement to which they apply." We recommend the Clerk and Treasurer submit this reconciliation along with the above reports monthly until the Township Board is satisfied that this necessary reconciliation procedure is being performed on a monthly basis.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller organizations like Franklin Township requires that the Township Board members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variances between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Based on inquiries, the Township Board performs these duties and our comment here is intended to emphasize the importance of its oversight role.

CONCLUSION

These conditions were considered in determining the nature, timing, and extent of the audit tests applied during our audit of the March 31, 2006, financial statements, and this report does not affect our report on those financial statements dated May 10, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Franklin Township Board and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.